

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Coloma - Hagar Joint Fire Board</u>	County Berrien
Audit Date March 31, 2006	Opinion Date June 15, 2006	Date Accountant Report Submitted To State: July 17, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085
Accountant Signature 			

Coloma - Hagar Joint Fire Board Berrien County, Michigan

**Financial Report
March 31, 2006**

Coloma - Hagar Joint Fire Board

Contents

Report Letter	I
Management's Discussion and Analysis	2-4
Basic Financial Statements - Government-wide/Governmental Fund	
General Fund Balance Sheet/Statement of Net Assets	5
Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Net Assets	6
Budgetary Comparison Schedule - General Fund	7
Notes to Financial Statements	8-13



Plante & Moran, PLLC

Suite 12C

511 Renaissance Drive

St. Joseph, MI 49085

Tel: 269.982.8000

Fax: 269.982.2800

plantemoran.com

Independent Auditor's Report

To the Coloma - Hagar Joint Fire Board
Coloma, Michigan

We have audited the accompanying basic financial statements of the Coloma - Hagar Joint Fire Board as of and for the year ended March 31, 2006 as listed in the table of contents. These basic financial statements are the responsibility of the Fire Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Coloma - Hagar Joint Fire Board as of March 31, 2006 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

June 15, 2006

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Coloma - Hagar Joint Fire Board

Management's Discussion and Analysis

Our discussion and analysis of the Coloma - Hagar Joint Fire Board's financial performance provides an overview of the Fire Board's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Fire Board's financial statements.

Financial Highlights

As discussed in further detail in the discussion and analysis, the following represents the most significant financial highlight for the year ended March 31, 2006:

- The Fire Board received an Assistance to Firefighters Grant (AFG) for approximately \$55,000 (the Fire Board's match requirement of 10 percent). The grant from the U.S. Department of Homeland Security assisted with the costs of a new Nederman Vehicle Exhaust Extraction System, in addition to a washer/extractor and hose washer.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Fire Board as a whole and present a longer-term view of the Fire Board's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the full cost of providing government services has been funded.

The Fund's financial statements present a short-term view; they tell us how the member community resources were spent during the year, as well as how much is available for future spending.

Coloma - Hagar Joint Fire Board

Management's Discussion and Analysis (Continued)

The Fire Board as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2006 and 2005:

	2006	2005
Assets		
Current assets	\$ 95,809	\$ 59,359
Noncurrent assets	696,701	697,267
Total assets	792,510	756,626
Liabilities		
Current liabilities	30,717	26,888
Noncurrent liabilities	-	8,032
Total liabilities	30,717	34,920
Net Assets		
Invested in capital assets - Net of related debt	688,669	689,235
Unrestricted	73,124	32,471
Total net assets	<u>\$ 761,793</u>	<u>\$ 721,706</u>

Governmental net assets increased approximately \$40,000 during the fiscal year ended March 31, 2006.

The following table shows, in a comparative, condensed format, the changes in the net assets during the current year:

	2006	2005
Revenue		
Local unit contributions	\$ 300,326	\$ 274,398
Capital contributions	-	750,612
Interest	2,213	421
Miscellaneous	86,019	12,486
Total revenue	388,558	1,037,917
Expenses	348,471	291,644
Change in Net Assets	<u>\$ 40,087</u>	<u>\$ 746,273</u>

Coloma - Hagar Joint Fire Board

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The Fire Board did not make any loan payments to the City of Coloma in the current year to reimburse the City for a bank loan initiated on the Fire Board's behalf to purchase a rescue truck. The final payment on this loan was paid in April 2006. The Fire Board will be debt free at the end of fiscal year 2007.

Capital assets increased by approximately \$143,000, which included the purchase of a mini-pumper, a vehicle exhaust extraction system, and other various fire protection equipment.

The Fire Board sold a 2004 rescue truck for \$90,010.

Budgetary Highlights

Over the course of the year, several of the Fire Board's actual expenditures exceeded what was originally budgeted in March 2005 and the budget was subsequently amended in June 2005. The most significant of these were personnel, capital expenditures, and repairs and maintenance. The personnel variance relates to the Fire Board adding several new fireman positions during the fiscal year. The repairs and maintenance variance is due to several significant repairs that occurred during the year that the Fire Board did not budget for, including sending a truck pump to Texas for repairs, insulating the fire station to help with heat loss, and portions of the garage doors being replaced. The capital expenditures variance relates to two assets that were purchased during the year which the Fire Board had not budgeted for.

Economic Factors and Next Year's Budgets and Rates

The Fire Board's budget for next fiscal year reflects an approximate 100 percent increase in supplies to cover various expenses that the new Hagar public safety building will require, a 50 percent increase in uniform expenditures to upgrade existing uniforms and replace them as needed, and a 19 percent increase in personnel expenses to cover a \$1 per hour wage increase for all firefighters. The Fire Board has adopted a conservative budget that retains current fund balance, but also facilitates community priorities and quality services.

The Fire Board has no significant future capital expenditures planned for fiscal year 2007, with the exception of the final debt payment on the rescue truck.

The Fire Board will move into the new Hagar public safety building during the summer 2006.

Contacting the Fire Board's Management

This financial report is intended to provide our citizens, customers, and investors with a general overview of the Fire Board's finances and to show the Fire Board's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Coloma City treasurer, Sue Moser, or the Fire Board treasurer, Robert Wooley, at the Coloma City Hall office.

Coloma - Hagar Joint Fire Board

General Fund Balance Sheet/Statement of Net Assets March 31, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets
Assets			
Cash and cash equivalents (Note 4)	86,282	-	86,282
Due from other governmental units	9,527	-	9,527
Capital assets (Note 5)	-	696,701	696,701
Total assets	\$ 95,809	696,701	792,510
Liabilities			
Accounts payable	\$ 5,397	-	5,397
Accrued liabilities	17,288		17,288
Note payable - Due within one year (Note 6)	-	8,032	8,032
Total liabilities	22,685	8,032	30,717
Fund Balance/Net Assets - Unreserved, undesignated	73,124	(73,124)	-
Total liabilities and fund balance	\$ 95,809		
Net Assets			
Invested in capital assets - Net of related debt		688,669	688,669
Unrestricted		73,124	73,124
Total net assets		\$ 761,793	\$ 761,793

Coloma - Hagar Joint Fire Board

Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended March 31, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities
Revenue			
Operating contributions from local units	\$ 300,326	\$ -	\$ 300,326
Interest	2,213	-	2,213
Grants	54,851	-	54,851
Gain on sale of capital assets	-	22,060	22,060
Other	9,108	-	9,108
Total revenue	366,498	22,060	388,558
Expenditures			
Personnel	145,740	-	145,740
Supplies	14,029	-	14,029
Professional services	9,393	-	9,393
Community promotion	1,084	-	1,084
Transportation	6,542	-	6,542
Insurance	27,022	-	27,022
Utilities	16,213	-	16,213
Repairs and maintenance	44,780	-	44,780
Training	2,590	-	2,590
Capital expenditures	143,164	(143,164)	-
Uniforms	1,324	-	1,324
Miscellaneous	1,334	-	1,334
Board fees	2,640	-	2,640
Depreciation	-	75,780	75,780
Total expenditures	415,855	(67,384)	348,471
Excess of Revenue Over (Under) Expenditures - Before other financing sources	(49,357)	89,444	40,087
Other Financing Sources - Proceeds from sale of capital assets	90,010	(90,010)	-
Change in Fund Balance/Net Assets	40,653	(566)	40,087
Fund Balance/Net Assets - April 1, 2005	32,471	689,235	721,706
Fund Balance/Net Assets - March 31, 2006	<u>\$ 73,124</u>	<u>\$ 688,669</u>	<u>\$ 761,793</u>

Coloma - Hagar Joint Fire Board

Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Budget
Revenue				
Contributions from local units	\$ 276,700	\$ 276,700	\$ 300,326	\$ 23,626
Interest	550	550	2,213	1,663
Other	17,750	107,760	153,969	46,209
Total revenue	295,000	385,010	456,508	71,498
Expenditures				
Personnel	139,500	139,500	145,740	(6,240)
Supplies	12,000	12,000	14,029	(2,029)
Professional services	7,300	7,300	9,393	(2,093)
Community promotion	1,200	1,200	1,084	116
Transportation	7,300	7,300	6,542	758
Insurance	29,000	29,000	27,022	1,978
Utilities	17,700	17,700	16,213	1,487
Repairs and maintenance	28,000	28,000	44,780	(16,780)
Training	3,000	3,000	2,590	410
Capital expenditures	34,500	124,510	143,164	(18,654)
Uniforms	12,000	12,000	1,324	10,676
Miscellaneous	1,000	1,000	1,334	(334)
Board fees	2,500	2,500	2,640	(140)
Total expenditures	295,000	385,010	415,855	(30,845)
Change in Fund Balance	-	-	40,653	40,653
Fund Balance - April 1, 2005	32,471	32,471	32,471	-
Fund Balance - March 31, 2006	<u>\$ 32,471</u>	<u>\$ 32,471</u>	<u>\$ 73,124</u>	<u>\$ 40,653</u>

Coloma - Hagar Joint Fire Board

Notes to Financial Statements March 31, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The Coloma - Hagar Joint Fire Board (the "Fire Board") is a joint venture between the City of Coloma, Coloma Charter Township, and Hagar Township and is governed by a seven-member board appointed by the City and Townships. The Fire Board is funded primarily through contributions from the City of Coloma, Coloma Charter Township, Bainbridge Township, and Hagar Township. Revenue is used to operate and staff the Fire Department. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The accounting policies of the Fire Board conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Fire Board's basic financial statements include both government-wide (reporting the Fire Board as a whole) and fund financial statements (reporting the Fire Board's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the General Fund balance sheet/statement of net assets and the statement of General Fund revenue, expenditures, and changes in fund balance/statement of net assets) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Board's net assets are reported as unrestricted net assets.

Coloma - Hagar Joint Fire Board

Notes to Financial Statements March 31, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Fire Board reports only one major governmental fund - the General Fund.

Financial Statement Amounts

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Fire Board as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 to 50 years
Vehicles	5 to 20 years
Equipment	3 to 7 years

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as a liability. In the fund financial statements, the face amount of debt issued is reported as other financial sources and payment of principal is recorded as an expenditure when paid.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Coloma - Hagar Joint Fire Board

Notes to Financial Statements March 31, 2006

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balance and the net change in fund balance of the Fire Board's General Fund differ from net assets and change in net assets reported in the General Fund balance sheet/statement of net assets and the General Fund revenue, expenditures, and changes in fund balance/statement of net assets. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the General Fund balance sheet and statement of General Fund revenue, expenditures, and changes in fund balance. The following is a reconciliation of the fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified accrual basis	\$ 73,124
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	696,701
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(8,032)</u>

Total Net Assets - Full accrual basis	<u>\$ 761,793</u>
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Net Change in Fund Balances - Modified accrual basis	\$ 40,653
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are capitalized and expense is recorded over their estimated useful lives as depreciation:	
Current year capital additions	143,164
Current year allocation of depreciation	(75,780)

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources:

Proceeds	(90,010)
Gain on sale	<u>22,060</u>

Change in Net Assets of General Fund - Full accrual basis	<u>\$ 40,087</u>
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Coloma - Hagar Joint Fire Board

Notes to Financial Statements March 31, 2006

Note 3 - Budget Information

The annual budget is prepared by the Fire Board management and adopted by the Fire Board trustees; subsequent amendments are approved by the Fire Board trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2006 has not been calculated. The budget was amended during the year.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except for the treatment of proceeds from the sale of capital assets as revenue rather than other financing sources.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. The budget as adopted is presented in these financial statements and includes expenditure budget overruns.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Fire Board incurred expenditures that were in excess of budget by more than \$3,000 in the following categories:

	Budget	Actual
Personnel	\$ 139,500	\$ 145,080
Repairs and maintenance	28,000	44,780
Capital expenditures	124,510	143,164

Excess expenditures over budget are a result of additional firefighter positions in 2006, significant vehicle and building repairs that were unexpected, and fixed asset additions that the Fire Board had not planned on.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Fire Board is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Coloma - Hagar Joint Fire Board

Notes to Financial Statements March 31, 2006

Note 4 - Deposits and Investments (Continued)

The Fire Board has designated one bank for the deposit of its funds. The investment policy adopted by the Fire Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Fire Board's deposits and investment policies are in accordance with statutory.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Fire Board's deposits may not be returned to it. The Fire Board does not have a deposit policy for custodial credit risk. At year end, the Fire Board had \$89,118 of bank deposits (checking account), all of which was covered by federal depository insurance.

Note 5 - Capital Assets

Capital asset activity of the Fire Board's governmental-type activities was as follows:

Governmental Activities	Balance March 31, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Capital assets not being depreciated - Construction in process	\$ 6,000	\$ -	\$ 6,000	\$ -
Capital assets being depreciated:				
Buildings and improvements	302,500	-	-	302,500
Vehicles	1,256,500	129,246	75,500	1,310,246
Equipment	431,418	19,918	-	451,336
Total	1,990,418	149,164	75,500	2,064,082
Accumulated depreciation	1,299,151	75,780	7,550	1,367,381
Net capital assets being depreciated	691,267	73,384	67,950	696,701
Net capital assets	\$ 697,267	\$ 73,384	\$ 73,950	\$ 696,701

Note 6 - Long-term Debt

Outstanding Debt - A summary of the debt outstanding of the Fire Board at March 31, 2006 is as follows:

	Interest Rate	Principal Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bank note payable through City of Coloma	4.39%	2007	\$ 8,032	\$ -	\$ -	\$ 8,032	\$ 8,032

Coloma - Hagar Joint Fire Board

Notes to Financial Statements March 31, 2006

Note 7 - Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Fire Board participates in the Michigan Townships Participating Plan for all claims.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

To the Board
Coloma - Hagar Joint Fire Board
Coloma, Michigan

In planning and performing our audit of the financial statements of Coloma - Hagar Joint Fire Board for the year ended March 31, 2006, we considered the Fire Board's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Fire Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the first two items below are reportable conditions that we believe to be material weaknesses.

Segregation of Duties

Control over cash transactions is not adequate due to insufficient segregation of duties. One individual is responsible for all cash receipts and cash disbursement transactions. Management does not feel it is cost effective to add staff to separate these functions.

We recommend that a board member review the bank reconciliations that are performed monthly. This would provide a double check of the accuracy of the bank reconciliations currently prepared. Also, it would give another person on the board a greater understanding of the cash process at the Fire Board.

General Ledger

The Fire Board does not currently post transactions to a general ledger. A general ledger is necessary to accumulate year-to-date transactions and provide a reasonable audit trail. Currently, the Fire Board's records consist of a checkbook, deposit slips, and a monthly financial summary prepared on a spreadsheet. A general ledger would provide the Fire Board with accumulated information that could be reconciled for accuracy to make certain that financial information is accurate.

To the Board
Coloma - Hagar Joint Fire Board

The Fire Board should implement a general ledger for posting both cash receipts and cash disbursements. This can be a hand posted or computerized ledger. We recommend that purchasing a general ledger software package such as "QuickBooks" be given serious consideration. Software like this typically costs around \$150 and can also be used to write checks. We understand that the Fire Board will be making this purchase in fiscal year 2007 and strongly encourage the Fire Board to follow through with this purchase.

Credit Card Resolution

We understand that the Fire Board is currently using credit cards for fuel at selected gas stations. The Fire Board currently does not have an approved policy for these types of transactions. The State of Michigan requires board-approved resolutions to authorize these transactions. We strongly urge the Fire Board to approve a resolution for these types of transactions at its earliest opportunity. We would be happy to provide a sample credit card policy to the Fire Board, if requested.

Receipt Book

During our testing of receipts, we noticed that amounts listed on the deposit slips did not include a description of the source of funds received. We recommend that a simple description be placed next to the deposit amount as proper documentation of the receipt.

Unallowed Expenditures

Elected officials, as well as management, should become familiar with what might be considered potentially unlawful expenditures. The State of Michigan website has provided a reference for local government officials, employees, and governmental auditors of selected references that address some of the questionable expenditures of local government. Some of the unlawful expenditures noted are as follows: contributions to nonprofit organizations, donations to a private ambulance or EMS service not under contract with the governmental unit, donations, including the use of property or equipment to Little League, Scouts, Big Brothers/Sisters, office refreshments and picnics, flowers to the sick or departed, presents to officials and employees or retirement recognition events, etc. A more inclusive listing can be found at the State's website at:

http://www.michigan.gov/treasury/1,1607,7-121-1751_2194-7603--,00.html

This report is intended solely for the information and use of the management and others within the organization.

June 15, 2006

Plante & Moran, PLLC